

Roll No. ....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 6

**NOTE :** 1. Answer **ALL** Questions.

2. Suitable assumptions, if considered necessary, may be made while answering a question. However, such assumptions must be stated clearly.

1. Late Mr. NKG, husband of Smt. AG, was an employee of M/s DW Woollen Mills Ltd. at Jamnagar as a Labour Officer. He submitted a proposal for a life insurance policy at Meerut in the State of U.P. on 29th May, 1979 which was accepted and the policy for a sum of Rs.1,00,000 (Rs. One lakh) was issued by the Company in his favour. The insured passed away on 12th December, 1980 at the age of 46 leaving behind his wife, a daughter and a son. The cause of death was certified as acute Myocardial Infarction and Cardiac arrest. Smt. AG, being nominee of the deceased under the policy informed the Divisional Manager, Meerut City, about the death of her husband, and submitted the claim along with other papers as instructed by the Divisional Manager and requested for consideration of her claim and for making payment. The Divisional Manager by his letter dated 8th June, 1981 repudiated any liability under the policy and refused to make any payment on the ground that the deceased had withheld correct information regarding his health at the time of effecting the insurance with the Company. The Divisional Manager drew the attention of the claimant that at the time of submitting the proposal for insurance on May 29, 1979, the deceased

: 2 :

had stated his usual state of health as good, that he had not consulted a medical practitioner within the last five years for any ailment requiring treatment for more than a week, and had answered the question if remained absent from place of your work on ground of health during the last five years in the negative. According to the Divisional Manager, the answers given by the deceased as aforementioned were false. Since, Smt. AG failed to get any relief from the authorities of the Company despite best efforts she filed the writ petition seeking a writ of mandamus directing the Company and its officers to pay the sum assured and other accruing benefits with interest. The writ petition was opposed by the Corporation, on the ground of maintainability as noted earlier. Alternatively, the contention was raised that in case the High Court is inclined to entertain the writ petition then opportunity should be given to the Corporation to lead evidence in support of its plea of repudiation of the claim.

The learned single Judge after examining the question of maintainability of the writ petition from different angles, held that in view of the provisions of the Life Insurance Corporation Act, 1956 and the relevant provisions of the Insurance Act, 1928 which are applicable to the Company's liability under a policy of life insurance is a statutory liability and hence a writ petition can lie under Article 226 of the Constitution. The learned Judge also considering the question on the assumption that the liability of the Company under the policy is not a statutory liability but a contractual liability, held that even then a writ petition under Article 226 of the Constitution can lie against the Company for enforcement of such liability. On these findings the learned single Judge rejected the objection of the Company against maintainability of the writ petition. Then the learned judge further considered the objection raised

: 3 :

on behalf of the Company that the case involves disputed questions of fact for determination of which it will be necessary to record evidence and writ jurisdiction of the High Court under Article 226 of the Constitution should not be exercised in such a case. He was not inclined to hold that the matter involves disputed questions of fact just because the Company produced a document which is inconsistent with those produced by the writ petitioner. The learned Judge did not feel satisfied that this is a fit case in which the Company should be granted liberty to lead evidence before the High Court. Examining the matter on merits the learned single Judge referred to the provisions of section 45 of the Insurance Act, 1938 which imposes certain restrictions on the scope of repudiation of a claim by the insurer and held that the Company has not brought on record satisfactory evidence to establish any of the conditions envisaged in the second part of section 45. The learned Judge refused to draw a conclusion that the deceased was having heart ailment in 1976 for which he had taken 13 days sick leave and held that much importance cannot be attached to the leave records in the matter. On such findings, the learned Single Judge rejected the case of the Company on merit. Hence, as a result, the Life Insurance Company was directed to pay to the petitioner an amount of Rs.1,00,000/- (One lakh) arising out of Life Insurance Policy of her deceased husband NKG, together with all the benefits accruing therefrom with interest at the rate of 15% from the date of the death of the petitioners husband within a month. The Company is also directed to pay cost of Rs. 2,000/- to the petitioner. On the basis of above facts, answer the following questions :

(a) Discuss the merits of the arguments raised by Life Insurance company in repudiating the claim.

(8 marks)

(b) What are the avenues for consumers to get redressal through consumer courts ?

(8 marks)

: 4 :

(c) What are the provisions of Section 45 and what is the impact of this section on the tenability of the claim in the present case ?

(8 marks.)

(d) Do you agree that there is a breach of trust and violation of the principle of Utmost good faith in this case ? Is the present case a justifiable claim ?

(8 marks)

(e) What are the circumstances, where insurer has ascertained that the death claim is payable but is unable to settle the claim ? In this regard, discuss the provisions of Section 47 of the Insurance Act, 1938.

(8 marks)

2. Mr. KP had purchased a bus by taking a loan from M/s. S Financers. The bus was being used as a private service vehicle, and not as a public transport. It was insured under a comprehensive insurance policy issued by M/s. SI Insurance Co. Ltd. The bus met with an accident, for which insurance was claimed. The insurance company appointed its surveyor, who assessed the loss at Rs 1,26,500. However, the company deducted Rs. 33,125 from the assessed amount, on the ground that the driver did not have an endorsement on his licence to drive a transport vehicle. Also the amount was not paid to Mr. KP, but was directly paid to the financier. Aggrieved, Mr. KP filed a consumer complaint that ultimately reached the National Commission.

: 5 :

*Questions :*

- (i) Should an insurance claim be paid to insured or financier ? Justify the stand taken by the company.
- (ii) Mention the exclusions under the comprehensive motor insurance policy.
- (iii) What are the Innovative trends in auto insurance ?

*(4 marks each)*

3. (a) Describe the unique features of an insurance contract. How is it different from other commercial contracts ?
- (b) “Insurance distribution channels have undergone a paradigm shift from the traditional agency mode”. Discuss the categories, role and function of an insurance Broker.
- (6 marks each)*
4. (i) Discuss the concept of Human Life Value (HLV) and its importance in building family financial security. From the given details calculate the HLV of Mr. R :

Name : Mr. R

Age : 30 years

Annual gross income : Rs. 2,40,000

Working life expectancy : 30 years

Expected income tax liability : Rs. 15,000/- p.a.

Expected Annual Personal maintenance expenses : Rs. 60,000

Discount rate : 6% per annum.

*(6 marks)*

: 6 :

(ii) Discuss the implication of the following clauses in a health insurance policy :

- Pre-existing conditions clause
- Policy reinstatement clause

(6 marks)

5. (i) Underwriters are the people who decide :

- Accept the insurance proposal at standard rates
- Accept with special conditions
- Accept with extra premium
- Reject the proposal.

Discuss all these four situations which influence the underwriter's decision.

(ii) Explain the concept of Mortality table, mortality risk, and enumerate the basic elements that are considered for premium computation. Calculate the premium to be charged given that 2000 persons all aged 50 yrs are insured for Rs. 1,00,000 for 1 year, and the rate of mortality denoted as  $(q_{50})$  is 0.004.

(6 marks each)

6. (a) Differentiate between insurance and wager.

(b) Explain the role of Insurance in Risk Management.

(c) "Liability generally arises out of negligence and breach of duty." Discuss the relevance of Liability Insurance.

(4 marks each)

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